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GRAIN HANDLING AND MARKETING NEWSLETTER

No. I March 2, 1983

The main objective of this "Newsletter" is to keep you informed on the "Post Crow" activities being undertaken by the Departments of Agriculture and Economic Development.

Post "CROW" activities are the result of the Federal Government's announcement on February 1st, 1983, regarding major reforms in the Statutory CROW'S NEST PASS RATES on grain transportation.

In response to the federal decisions, Alberta Agriculture, in co-ordination with Economic Development has set up a "POST CROW TRANSPORTATION STEERING COMMITTEE" for the purpose of studying the implications of the "CROW" reforms on the agriculture industry in Alberta.

The "Steering Committee" has established three sub-committees to meet short-term or immediate information needs, to communicate effectively within the Department and the clientele, and to develop some long-term research to measure economic impacts on Alberta resulting from "CROW" reforms.

There have been numerous inquiries for some basic information on "CROW" changes and their impact on the future of agriculture in Alberta. To respond to these inquiries, the "Steering Committee" has decided to hold six regional meetings to brief the Regional and District office staff on the proposed "CROW" reforms and its implications on the agriculture industry. The main objective of these meetings is to inform the field staff about these reforms so that they have no hesitation in responding to the clientele needs. A similar meeting will be held at the headquarters (Edmonton) to familiarize the professional staff with this important issue of CROW's NEST PASS RATES and to answer any questions.

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Following is the schedule and Program for the six REGIONAL meetings:

Schedule

REGION I	- Lethbridge (Agriculture Centre)	March 3
REGION II	- Airdrie (Agriculture Centre)	March 8
REGION III	- Lacombe	March 21
REGION IV	- Vermilion	March 25
REGION V	- Barrhead (Regional Headquarter)	March 22
REGION VI	- Peace River (Travellers Motor Inn)	March 18

Program

8:30 - 9:00 a.m.	VIDEO: Joint Ministerial Statements (if avail.) Hon. LeRoy Fjordbotten - Agriculture Hon. Hugh Planche - Economic Development
9:00 - 10:15 a.m.	BASIC INFORMATION: CROW RATE AND WESTERN INITIATIVES - From 1897 to Feb. 8, 1982 - From Feb. 8, 1982 to Feb. 1, 1983 - Gilson Process, Concepts - Pepin's Announcement
10:15 - 10:45 a.m.	COFFEE BREAK - FOR INFORMAL DISCUSSION
10:45 - 11:45 a.m.	RAIL COSTS AND RATES - Projections to 1985/1986: - Railway Costs - Rate Task Force Recommendations - Gross Producer Costs - Net Producer Costs
11:45 - 1:00 p.m.	LUNCH BREAK
1:00 - 1:40 p.m.	PAYMENT TO RAILWAYS/PRODUCERS: - Pros and cons - Shares (Pepin) - Inflation Impact

1:40 - 2:15 p.m. GRAIN TRANSPORTATION CAPACITY AND EFFICIENCY:

- Issues
- CCA Task Force Report
- Performance
- Efficiency
- Guarantees
- Variable Rates

2:15 - 3:00 p.m. FARMER IMPACTS:

- Parity in Canola
- Freight Costs Relative to Other Input Costs
- On-Farm Storage and other carrying costs
- Net Farm Income Impact
- Stocks Use Impact
- Hopper Cars
- Other related issues

3:00 - 3:30 p.m. COFFEE AND DISCUSSION BREAK

3:30 - 4:00 p.m. ALBERTA BARLEY FUTURES MARKET

SPEAKER: Doug Ford,
Winnipeg Commodity Exchange

4:00 - 4:30 p.m. GENERAL QUESTIONS, DISCUSSION AND WRAP-UP

If you require any further information on the CROW related issues or would like to provide some feed back, please feel free to contact/call:

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Mel Cameron	427-7312
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C.D. Radke
Chairman
Transportation Steering Committee

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GRAIN HANDLING AND MARKETING NEWSLETTER

No. 2 March 16, 1983

Hon. LeRoy Fjordbotten's
MINISTERIAL STATEMENT on Alberta's
Response to the Western Transportation Initiative
- presented to the Legislative Assembly, March 11, 1983.

Mr. Speaker, I have a rather important ministerial statement, on a most complex issue, which I would like to present to the Assembly today. The Honourable Hugh Planche, Minister of Economic Development, and I generally accept the federal government's understanding of the need for a comprehensive approach to action on western rail capacity, grain handling and transportation. We view the federal policy proposal as a necessary first step towards continued agricultural growth and economic development in Alberta. However, there are a number of key issues that have yet to be satisfactorily resolved and must be in the legislation.

We are concerned with the federal government's future cost-sharing arrangements on inflation. It is not reasonable to expect farmers to commit, in 1983, to being responsible for the first 6 per cent of inflation in future years without consideration of the farmer's ability to pay. We have pointed out that Dr. Gilson's recommendation of a maximum of 4.5 per cent producer share of inflation was more appropriate, given the uncertainties of national economic conditions.

We are also concerned about the limitation placed on tonnages of grain shipments eligible for the Crow benefit. We are concerned about the fact that farmers have to pick up all of the future costs for grain shipments

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above the 31 million tonne level. Projections are that we will exceed that amount in this crop year. Where is the logic in charging more for extra production when the goal is to increase export sales?

We note that the railways are now to receive full compensation for moving grain, and it is our desire to see the federal government take action to compel the railways to live up to both investment and performance requirements. It is imperative that the railways be obligated to invest in sufficient rail capacity and to provide an efficient grain transportation service. We are of the view that legislation should include provision for full disclosure of rail cost data to grain shippers, including an annual statement of source and application of funds. We want to be sure that the grain farmers' money is used to build rail capacity, not hotels.

Referring to the proposed review process in 1985-86, we are concerned that the original intent of the Gilson recommendations may not be carried out under the proposed review process. Alberta believes it is important that the payment method allow us to maximize the potential for economic and agriculture development in western Canada. We believe that the results of last year's meetings in Winnipeg between the railways and the farm groups demonstrated the resolve of western Canadian farmers to ensure that they would have a grain handling and transportation system that would allow them to take advantage of future opportunities. We hope that the same positive attitude and resolve will prevail as the final steps are taken towards legislating a new grain transportation policy.

Mr. Speaker, in order that the position of this government on a very complex topic is clearly understood, I am filing with this Assembly a document* which outlines that position in detail.

* copy attached

Alberta's Response to Federal Policy Proposals on Western Rail Transportation

The Alberta Government recognizes that agriculture is a basic industry in the Province, contributing both an economic base and a way of life for Albertans. To ensure the continued growth and development potential of the agriculture sector this Government is committed to improving farm income, cash flow, agricultural stabilization, encouraging diversification in crops and livestock production, and to encouraging value-added processing of agricultural products.

Alberta's grain transportation policy objectives are designed to support and encourage the achievement of the Province's goals for agricultural and economic development. Central to Alberta's grain transportation policy is the recognition of the need for a successful resolution to the Crow's Nest grain freight rate issue. The guiding principles in developing the Province's position on changes to the Crow rates are that:

- the historical benefit of low grain freight rates should be retained for farmers,
- the disincentives to value added processing should be removed,
- rail capacity and efficiency should be improved,
- the railways should receive adequate revenue relative to the costs of moving grain, and
- the rate formulas should be regulated and in legislation.

These principles reflect the complexity and inter-relatedness of the problems that must be dealt with in a comprehensive grain transportation policy. Sufficient rail capacity is essential to Alberta's goal of economic development but railway investment will occur only if the railways are adequately compensated. The agricultural processing industry in Alberta requires a freight rate structure that does not discriminate between the exports of raw grain and their processed products. Finally, while there is a recognition that farmers should share in some of the future increased costs of grain transportation, they should not have to give up the historical benefit of low grain freight rates.

The Federal Government initiative on western rail transportation should be evaluated in light of these principles and objectives.

Federal Government Policy Statement on Western Rail Capacity

Transport Minister Pepin announced on February 8, 1982 a Federal Government policy statement outlining a comprehensive approach to meet Western Canada's future railways needs. Mr. Pepin said at that time that the Federal Government was "responding to Western concerns that there be adequate rail capacity to support the economic growth of the West."

Alberta was pleased with this announcement because of a commitment to a comprehensive approach to western rail capacity and western grain transportation. The Federal commitment was seen as complementary to provincial initiatives taken over the past few years in agriculture, economic development and transportation. These initiatives included $55 million

invested in hopper cars, $5 million invested in inland grain terminals, and an approximate $240 million invested in the Prince Rupert grain terminal. As well, the Province has provided financial and marketing assistance to the value added agriculture processing industry. For these initiatives to be effective, a comprehensive approach to transportation policy is required.

The Gilson Report - "Western Grain Transportation - Report on Consultations and Recommendations".

This report on the results of extensive consultations amongst Western farm groups was made public June 28, 1982. The policy framework presented by the Gilson report represented a compromise for most farm organizations. In August of 1982, the Federal Government decided to accept, in principle, the main thrust of the Gilson report subject to later decisions about the financial aspects and reports of task forces established to conclude work on recommendations in the report.

In September the Province of Alberta outlined its objectives, principles and an analysis of the Gilson report in its Grain Transportation Policy. The Gilson report and recommendations were not considered complete in many details; however, it was viewed as a move toward a solution that met most of the Province's objectives. Before accepting the entire report, a number of issues were identified. As outlined in the Alberta policy, these were:

- Alberta supported the need for federal funds in addition to the initial federal commitment in order to achieve a comprehensive solution.

- The federal government must accept fully its responsibility to protect farm income, encourage agricultural development, and ensure an adequate and efficient transportation system.

- Alberta was concerned that farmers would be left unprotected from the adverse effects of increased transportation costs and that few commitments were outlined in the Report to reduce this exposure.

- New lands and new crops, both of which have great potential in Alberta, are neglected in Dr. Gilson's recommendations.

- Alberta supported Dr. Gilson's recommendations for removing the effect of the Crow Rate on the pricing of grain to the livestock and agricultural processing industries.

- Farmers had rightfully expressed concern about the lack of assurance of adequate investment and improved railway performance. Producer involvement was seen as being essential in the functioning and policy setting of any agency or institution which vitally affects their economic viability.

- Alberta was not only concerned that funds be directed toward increased transportation capacity, but also toward improved efficiency and performance.

- Improved efficiency in the grain system requires more than railway performance guarantees. Various Federal Acts, institutions, and regulations which govern the operation of the grain system may also have to be revised.

- A process must be established whereby the draft legislation, rate structure and administrative arrangements for producer payment options be reviewed prior to the introduction of any new legislation.

- Consultation must take place with provincial governments before changes are made to present legislation and regulations relating to railway cost and competition components of present legislation.

Alberta's View of The Federal Government's February 1, 1983 Policy Decisions

On February 1, 1983, Transport Minister Jean Luc Pepin announced the Federal Government's decisions on western rail transportation to expand rail capacity, improve the grain transportation system, assist agricultural and industrial development and stimulate economic recovery. The announced initiative accepts many of the main elements of the Gilson Report, with some alterations, but fails to address a number of issues the Province highlighted in its September Policy.

(1) Alberta is concerned that the Federal Government's proposed review process puts two much emphasis on reassurances and provision of safeguards for Central Canada.

(2) Alberta is concerned with the decision to shift the financial burden from the Federal Government to western producers through raising the share of cost inflation that producers must bear from 4½% to 6%.

(3) Alberta is concerned with the decision to require Parliamentary approval for any further progression of Crow Benefit payments to producers beyond 50%. As such, the Federal Government minimizes the potential for economic and agricultural development in Western Canada.

(4) The federal policy decision has not addressed new lands and crops. The Province remains committed to the objective of encouraging the development of new lands and new crops.

(5) Alberta is concerned with the limitation placed on tonnages of grain shipments that are eligible for the Crow Benefit.

(6) The Province is concerned with the lack of measures in the policy decision which would obligate the railways to ensure sufficient rail capacity through specific investments and to provide an efficient grain transportation service.

(7) Alberta is concerned that the railways have been effectively guaranteed that their costs for transporting grain will be covered without a similar guarantee that farmers will have the ability to pay.

(8) Alberta is concerned that rail cost information is not available to the parties involved in the rate-setting process. Alberta is also concerned that the revenues provided to the railways by grain shippers go towards investments in the grain transportation system.

(9) The Province notes the $175 million, five year agricultural initiatives commitment and observes that most of these funds are directed towards agricultural interests outside of western Canada.

(10) The Province notes the commitment of $75 million for Western Canada to assist companies in taking advantage of opportunities which arise from railway expansion programs, agricultural processing and research and development activities.

(11) Alberta is concerned that no guarantee has been made for farmers to share in the gains resulting from their investment in efficiency and productivity measures.

(12) Alberta supports a generally distance-related rate structure.

(13) The Province supports the decision to place canola and linseed oil and meal under the new grain rate. However, Alberta is concerned about the removal of the minimum compensatory freight rates for these products east of Thunder Bay.

Alberta's Position

Alberta viewed the policy framework presented by Dr. Gilson as the first phase in the process to improve grain transportation in Western Canada. Dr. Gilson's phase-in approach, the division of the payment of the Crow Benefit, and the sharing of inflation recognized that economic gains could be made, while at the same time acknowledging the need to proceed in a manner that causes minimal disruption. The framework, reached through compromise by most farm organizations, is based on a fundamental need to solve a complex issue in a comprehensive manner.

There are, however, still a number of issues to be resolved in order for Alberta to more fully support the Federal Government Policy proposal. These issues are:

(1) Alberta is concerned with the Federal Government's future cost sharing arrangements. It is not possible to expect farmers to commit, in 1983, to being responsible for the first 6% of inflation in future years without consideration of the farmer's ability to pay,

(2) that the division of the Crow Benefit between farmers and the railways progress to its originally suggested 1989/90 level, and that any alteration of this progression require Parliamentary approval subsequent to the 1985/86 review,

(3) that the Federal Government Crow Benefit cap of 31.1 million tonnes be removed,

(4) that the annual inflation costs contributed by the Federal Government be included as a part of the payment to producers,

(5) that legislation should incorporate provision for full disclosure of rail cost data to grain shippers. In addition, the railways should be required to publish an annual statement of source and application of funds,

(6) that legislation contain an effective mechanism to guarantee railway performance and to ensure farmers share in productivity and efficiency gains.

* *

Edmonton Headquarters Staff Briefing Session on Grain Handling and Marketing will be held:

Tuesday, March 29, 1983, 8:30 a.m.
Agriculture Building, 7000 - 113 Street, Edmonton
Main Conference Room, 1st Floor

* *

If you require any further information on the CROW related issues or would like to provide some feed back, please feel free to contact/call:

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GRAIN HANDLING AND MARKETING NEWSLETTER

No. 3 April 14, 1983

Reforms In The Statutory (Crow's Nest) Rates: Future Opportunities

On February 1, 1983, the Federal Minister of Transport Hon. J.L. Pepin announced major reforms in Canada's Statutory (Crow's Nest) freight rates for transporting grain to various ports. The proposed changes will have long-lasting effects on Prairie agriculture, specifically on both grain and livestock production.

In announcing these reforms, the Federal Government's objectives are:

1) to ensure adequate overall rail capacity in western Canada;
2) to develop a modern and efficient grain transportation system;
3) to encourage economic development, agricultural diversification and processing in western Canada;
4) to contribute to national economic recovery through economic activity generated by railway expenditures and associated developments.

In view of the proposed reforms the two major railways: the Canadian National Railways (CNR) and the Canadian Pacific Rail (CPR) will be required to make large capital investments in their rail line capacity and in their rolling stock, to meet current shipment levels and improve overall efficiency in the face of increasing volumes.

Producers and agribusinesses are advised to be cautious for at least a year in their reaction to the announced reforms in the Crow's Nest freight rates. This is because the immediate impact on producer shipping costs will be minimal for the upcoming crop year (1983-84). Table 1 shows the possible impact of the federal government's decisions on cost-sharing and method of payment on the net freight rates per tonne, which grain producers can be expected to pay over the next three crop years if [illegible]

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legislation is adopted. These are estimates only, since they are based on the following assumptions:

- railway cost increases, due to inflation of 8 per cent in crop year 1982-83, 7 per cent in 1983-84, and 6 per cent for every crop year thereafter;
- increases in volume of grain shipments from 31.1 million tonnes in 1981-82 to 33.2 million tonnes in 1985-86.

Table 1 Possible Average Gross and Net Grain Freight Rates Per Tonne Paid by Producers

Crop Year	With Constant Volume		With Increasing Volume	
	Gross *	Net **	Gross *	Net **
1981-82	$ 4.89	$4.89	$ 4.89	$4.89
1982-83	4.89	4.89	4.89	4.89
1983-84	12.38	4.99	12.71	5.48
1984-85	15.55	6.52	16.01	7.29
1985-86	18.98	8.23	19.56	9.35

* Gross rate paid by producer at elevators.

** Net rate paid by producer after receipt of Government payments: Crow Benefit, Government share of cost increases, and Agricultural Adjustment Payment.

Under a scenario that included an increase in the tonnage of grain hauled by the system (31.1 to 32.1 million tonnes), the increase in shipping costs to producers would amount to a maximum of $0.59 per tonne, and to only $0.10 per tonne if there was no increase in the tonnage hauled. Shipping cost increases during the 1984-85 and 1985-86 crop years (under a constant volume assumption), will amount to $1.53 and $1.71 per tonne, respectively. Cost increases under the increasing volume scenario will be slightly higher than the constant volume shipping costs because of blended freight rates, and will amount to $1.81 per tonne in 1984-85 crop year and $2.06 per tonne in the 1985-86 crop year.

As shown in Table 1, net grain freight rates per tonne (volume increases by 2.1 million tonnes), to be paid by producers will almost double from $4.89 in 1982-83 to $9.35 in 1985-86.

Increases in net producer freight rates from the proposed changes compared with the existing rate will not be significant until after the 1983-84 crop year. Therefore, producers are advised not to let the proposed changes affect their 1983 seeding program.

The freight rates beyond 1985-86 are difficult to estimate since they depend on such major uncertainties as future volumes, inflation, efficiency gains, method of payment and cost sharing arrangements. However, based on the assumptions in the Federal proposal, freight rate structure beyond 1985-86 to 1991-92 could be as follows:

Table 2

Crop Year	Total Rail Rate	Gross*	Net**
1986-87	$34.25	$22.74	$13.39
1987-88	36.20	25.06	15.96
1988-89	38.27	27.47	18.60
1989-90	40.44	30.00	21.36
1990-91	42.75	32.63	24.22
1991-92	45.13	35.37	27.21

* Gross rate paid by producer at elevators.

** Net rate paid by producer after receipt of Government payments: Crow Benefit, Government share of cost increases, and Agricultural Adjustment Payment.

The above freight rate projections are based on increasing volumes of shipment from the present level of 31.1 million tonnes to about 41 million tonnes in 1991-92. Net freight rate to be paid by producers in 1991-92 will be about 5.5 times greater than the present rate.

Freight rate (net to producers) increases during the first three crop years are relatively moderate, but beyond the 1985-86 crop year these increases are very drastic. For example, net freight rate of $9.35 per tonne in 1985-86 increases to $13.39 per tonne in 1986-87, a 43 per cent increase in one crop year. Although the proposed increases (Table 2) in producer net freight rates are considerably smaller compared to the increase in 1986-87 crop year, they still pose a serious problem for producers to maintain viable operations. Various interest groups have expressed concern regarding the rapid increases in statutory freight rates. Alberta Government is particularly concerned with the proposed cost increases and has stated in its position that it is not possible to expect farmers to commit, in 1983, to pay such high freight rates without consideration of the farmer's ability to pay.

Alberta Agriculture will be assessing the potential impacts of the Federal Government's proposal and keeping clientele informed about future developments. Moreover, we will also be providing basic information, as well as, an analysis of important points to assist producers in making their decisions in the forthcoming issues of this newsletter and through other publications.

If you require any further information on the CROW related issues or would like to provide some feedback, please feel free to call:

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GRAIN HANDLING AND MARKETING NEWSLETTER

No. 4 May 24, 1983

LEGISLATION TO REFORM THE STATUTORY (CROW'S NEST) RATES (Bill C-155)

On May 4, 1983, Mr. Pepin announced some major changes in the proposed reform package of February 1, 1983 to reform the Statutory (Crow's Nest) Rates. These changes are to be included in the legislation which is expected to be ready for implementation on August 1, 1983. The major changes in the proposed reform package are:

i) The "Crow Benefit" of $651.6 million will be paid entirely to the railways as a grain transportation subsidy rather than dividing it between the railways and farmers as previously proposed. This change has been included in the draft legislation tabled in the House of Commons on May 9, 1983.

ii) The Government will establish a "Safety net" that links transportation costs to the international price of grain.

iii) The subsidized rate will be extended to a variety of speciality crops not included under the Statutory Rate.

The latter two changes (ii and iii) will be made when the proposed legislation is referred to the House of Commons Committee after the first reading.

The new legislation is intended to facilitate transportation, shipping and handling of western grain and to amend certain Acts. The Bill C-155, can be cited as the Western Grain Transportation Act.

As a large number of interest groups have been anxious to see this legislation, some of the very important aspects of this document which have long term impacts on the agriculture industry in western Canada are summarized in this Newsletter.

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Major Provisions of the Bill

The bill is comprised of five major parts namely, administrative measures, rates, Government payments, review and regulations.

PART I: ADMINISTRATIVE MEASURES

1. ESTABLISHMENT OF THE SENIOR GRAIN TRANSPORTATION COMMITTEE

A twenty-one member Senior Grain Transportation Committee will be established, consisting of:

- The Chief Commissioner of the Canadian Wheat Board;
- The Chief Commissioner of the Canadian Grain Commission;
- The Administrator of the Grain Transportation Agency;
- Six members, one of each representing the six largest primary elevator licensees;
- Two members from other grain companies;
- One member representing the Canadian National Railway;
- One member representing the Canadian Pacific Limited;
- One member representing carriers of grain on the Great Lakes;
- One member representing process elevator licensees;
- Three duly elected representatives of grain producers, one from each Prairie Province;
- Three members representing the interests of consumers of feed grains outside the Prairie Provinces.

2. APPOINTMENT OF THE GRAIN TRANSPORTATION AGENCY ADMINISTRATOR

The Governor in Council will appoint an administrator for the Grain Transportation Agency (GTA), to hold office for a term not exceeding seven years. Duties and responsibilities of the GTA will be:

- car allocation
- system efficiencies
- performance guarantees
- administering of the Government hopper cars

3. PERFORMANCE OBJECTIVES REGULATIONS

A "national" system of awards and sanctions related to performance objectives will be established pending a review in 1985-86, to determine the practicality of a permanent scheme. Implementation of such a scheme would be subject to parliamentary review.

- If the objectives are not met the Government can withhold 40% of the contribution to railway constant costs.
- Regulations may be established for a system of arbitration to resolve disputes concerning awards or sanctions.

PART II: RATES

1. BASE RATE SCALE

An annual rate scale will be established indicating an amount per tonne for the movement of grain over each range of distance set out in the scale. Schedule I presents a distance and rate scale which is included for information. The "Crow Benefit" for future crop years has been set at:

- $564.5 million for the 1983-84 crop year;
- $593.4 million for the 1984-85 crop year;
- $626.6 million for the 1985-86 crop year; and
- $651.6 million for the 1986-87 and subsequent crop years.

2. ESTIMATED ELIGIBLE COSTS

i) Estimated eligible costs for any crop year are equal to the aggregate of volume-related variable costs and line related variable costs for the movement of grain.

ii) Phased-in contribution to the constant costs of the railways for the coming crop years will be:

- 5% of the volume related variable costs for 1983-84;
- 10% of the volume related variable costs for 1984-85;
- 15% of the volume related variable costs for 1985-86;
- 20% of the volume related variable costs for 1986-87 and subsequent crop years.

3. COSTING REVIEW

Cost review is to be undertaken on or before March 31, 1986 to determine for that year, the volume-related variable costs for the movement of grain, and the line-related variable costs for grain dependent branch lines.

Further reviews would be undertaken on or before March 31 every fourth year thereafter.

4. ANNUAL ESTIMATION OF VARIABLE COSTS

Annual estimation of variable costs will be based on the most recent base year (1981-82), crop year for the 1983-84 to the 1985-86 crop years. Both the volume-related variable costs and the line-related variable costs for grain dependent branch lines will have to be determined.

- To determine annual variable costs the commission shall publish a list of the grain dependent branch lines or segments on or before March 31, of each year.
- Railway price indexes will be established by the Canadian Transport Commission, to make adjustment in the distance related base rate scale to determine the annual rate scale.

5. TARIFF OF RATES

- Every railway company will be required to file and publish a tariff with respect to the next crop year on or before May 31, of each year.
- The annual rate scale will be apportioned between the Government and the shippers of grain on the basis of percentages determined by the Commission.
- A railway company may in any crop year, include in its tariff a rate that is lower than the annual rate scale. However, a lower rate would not apply prior to the 1986-87 crop year.
- Higher rates with respect to joint line movement can be included in the tariff.
- A rate tariff takes effect on August 1, of the year in which it is filed and continues in force until July 31, of the next year, whether amended or not.

PART III: GOVERNMENT PAYMENTS

This part of Bill C-155 provides for:

- Cost sharing formulae and average cost of moving one tonne of grain; limiting inflation to 3% for the 1983-84 to 1985-86 crop years, and 6% for the subsequent crop years.
- Government payments to be limited to 31.1 million tonnes;
- Statutory basis for the Crow Benefit to be paid entirely to the railways;
- Additional payments to be made to CNR for factors such as port parity to Prince Rupert and the high cost Churchill line;
- Time table for Government payments.

PART IV: REVIEW

A comprehensive review will be undertaken in 1985-86 of the following key features of the Bill C-155:

- The cost sharing formula, including the relationship of transportation costs to the international price of grain;
- The method of payment;
- The advisibility of implementing a permanent scheme of awards and sanctions related to performance objectives; and
- The need for future comprehensive reviews.

PART V: REGULATIONS

The Governor in Council may make regulations:

- Prescribing anything that by this Act is to be prescribed; and
- For carrying out the purposes and provisions of this Act.

If additional information on Bill C-155 is required or if you would like to provide some comment, please feel free to call:

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Transportation Steering Committee
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Secretary
Transportation Steering Committee
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SCHEDULE I

BASE RATE SCALE

DISTANCE (miles)	RATE (cents per tonne)	DISTANCE (miles)	RATE (cents per tonne)
325 or less	293	1251-1275	608
326-350	300	1276-1300	620
351-375	309	1301-1325	632
376-400	317	1326-1350	645
401-425	325	1351-1375	657
426-450	333	1376-1400	669
451-475	341	1401-1425	681
476-500	349	1426-1450	694
501-525	357	1451-1475	706
526-550	365	1476-1500	718
551-575	373	1501-1525	731
576-600	381	1526-1550	743
601-625	389	1551-1575	756
626-650	397	1576-1600	768
651-675	405	1601-1625	780
676-700	413	1626-1650	793
701-725	421	1651-1675	805
726-750	429	1676-1700	817
751-775	437	1701-1725	829
776-800	445	1726-1750	842
801-825	453	1751-1775	845
826-850	461	1776-1800	866
851-875	469	1801-1825	879
876-900	477	1826-1850	891
901-925	485	1851-1875	903
926-950	493	1976-1900	916
951-975	501	1901-1925	928
976-1000	509	1926-1950	940
1001-1025	517	1951-1975	953
1026-1050	525	1976-2000	965
1051-1075	533	2001-2025	977
1076-1100	541	2026-2050	990
1101-1125	549	2051-2075	1002
1126-1150	557	2076-2100	1014
1151-1175	565	2101-2125	1027
1176-1200	573	2126-2150	1039
1201-1225	583	2151-2175	1051
1226-1250	595	2176-2200	1064

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GRAIN HANDLING AND MARKETING NEWSLETTER

No. 5 August 2, 1983

HIGHLIGHTS OF THE GOVERNMENT OF ALBERTA SUBMISSION TO THE HOUSE OF COMMONS STANDING COMMITTEE ON TRANSPORT

Hon. Leroy Fjordbotton appeared before the "House of Commons Standing Committee on Transport" on August 2, 1983, to present a detailed submission on behalf of the Government of Alberta. Some of the most important points from the submission are summarized in this issue of the newsletter.(1)

Mr. Fjordbotten opened the presentation by emphasising to the Committee that Alberta's economy faces an on going challenge of transportation. Because the province is located the farthest from tide water, and without any direct water access than most of its world competitors, the province requires the most cost efficient and productive transportation system possible in order to compete effectively.

The Minister further stated that the Statutory Rates influence capital investment, economic development, agricultural processing and government revenues and expenditures. These rates cost almost every segment of the Canadian agricultural sector, right from the primary producer to the government. In order to resolve the Rates issue, the solution must provide needed incentives for tomorrow's grain handling and transportation system, not just bandaids to patch up yesterday's problems.

Western Transportation Initiative

The Western Transportation Initiative announced on February 1, 1983, did not fully meet Alberta's expectations; however, it was viewed as a

(1) Copies of the Government of Alberta Submission to the "House of Commons Standing Committee on Transport" are being printed and will be forwarded as soon as they become available. Additional copies of the submission can be obtained from the Print Media Branch.

Alberta AGRICULTURE

necessary first step toward continued agricultural growth and economic development, the Minister said. The Alberta Government has maintained a consistent position for the last decade on the need to improve grain handling and value added processing. Alberta has evaluated Bill C-155 in the light of its grain transportation policy which recognized the need for a successful resolution of the Statutory Rates issue. The guiding principles of the Provincial position are:

- retention of the "Crow Benefit" for farmers;
- removal of disincentives to value added processing;
- improvement in rail capacity and efficiency;
- provision of adequate revenue for railways relative to costs of moving grain; and
- legislative and regulated rate formulas.

Rail Capacity and Processing

Sufficient rail capacity is essential to the Alberta Government's goal of economic development. Moreover, Alberta's agricultural processing industry requires a freight rate structure that does not discriminate between the export of raw grains and products processed from those grains.

Bill C-155

Mr. Fjordbotton told the Committee that the Federal Government objectives announced in the 1982 and 1983 policy statements have not been met by Bill C-155 because:

- the Bill lacks both major guiding principles and a statement of policy;
- the Bill does not address the opportunities for economic deversification in Western Canada and fails to correct distortions and disincentives associated with the Statutory Rate;
- the Bill ignores the comprehensive approach required to resolve grain transportation issues; and
- the Bill does not adequately address producers' concerns regarding their ability to pay.

Payment of Crow Benefit

The Government of Alberta feels that by paying the entire Crow Benefit to the railways, the Federal Government has abandoned its objectives to

reduce existing economic distortions and to improve growth and efficiency in the grain transportation system.

Alberta's Recognition of the Grain Industry

The Government of Alberta has recognized the importance of the grain industry through significant provincial programs, namely:

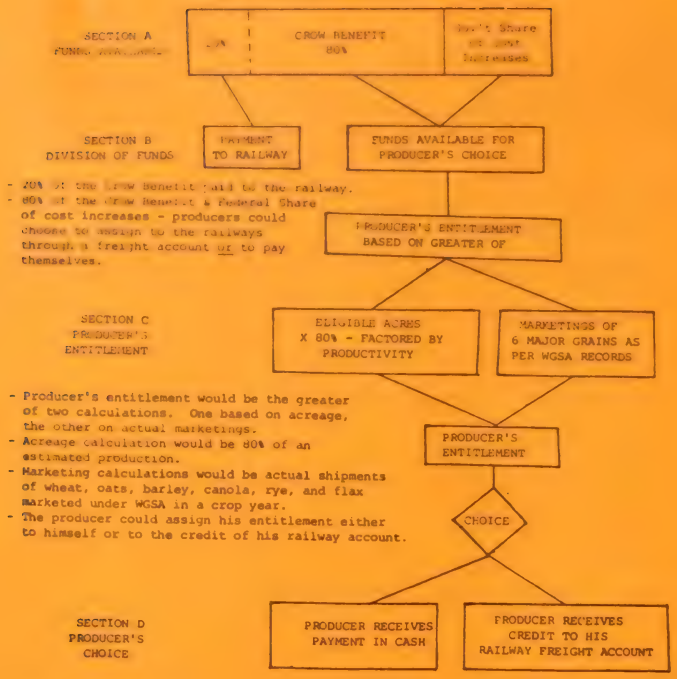
- establishment of a barley futures market;
- purchase of one thousand hopper cars;
- financing a major portion of the cost of the Prince Ruper grain terminal;
- purchase and operation of the three federal government inland terminals; and
- provincial activities in grain production research, extension, marketing and policy analysis.

"Double 80" - A Joint Proposal

In order to reduce domestic grain pricing distortions and minimize dilution of the Crow Benefit, the Government of Alberta and major farm organizations developed a proposal that addresses both anamolies. Although this proposal has not been supported by all organizations, it is a viable, workable approach for the distribution of the Crow Benefit. The proposal, referred to as "Double 80", encompasses a direct payment to the railways, or, if the farmer chooses, a direct payment to the producer.

In developing this proposal "Double 80" two key factors were considered. First, it was agreed that payment of the Crow Benefit directly to the railways would not significantly reduce distortions. Second, it was agreed that proposed methods of paying the Crow Benefit to all producers could cause a dilution effect because of large volume of grain becoming eligible for the Crow Benefit. To offset the dilution effect, the Federal Government should provide the $204 million in Agricultural Adjustment Payments between 1983-84 through 1985-86.

An important element of this proposal is that regardless of the payment method the farmer chooses, the railways must publish a compensatory rate for all shipping points, which would help remove grain pricing distortions. The following figure presents the proposed distribution of the Crow Benefit under "Double 80".



Railway Compensation, Service Guarantees

Under the proposed changes in the Statutory Rates, the Federal Government has guaranteed adequate compensation to the railways. It is fundamental that the railways, in return, should be required to provide meaningful investment, performance and service guarantees. Bill C-155 does not adequately address these needs, and the Government should therefore ensure that these guarantees are covered in the amended Bill.

Delegation of Authority

If the grain handling and transportation system is to work efficiently and be accountable, there must be a clear delegation of authority. A "shipper" must be designated to be responsible for farmers' interest by dealing with railways in establishing freight rates and coordinating shipments. Under Bill C-155 the most appropriate person to fulfill this function would be the Grain Transportation Administrator.

Ability to Pay

The total cost of grain transportation will be shared between the Federal Government and Western grain farmers. Farmers do not have the same ability as the Government to increase their incomes or to deficit finance.

Forcing producers to bear the first 6 per cent of future cost increases without considering their ability to pay does not appear to be an equitable sharing of rail cost increases. Bill C-155 should provide for a 4.5 per cent limit on the producers' share of future cost increases for the period after 1985-86. Future reviews would then determine if the limit should be altered.

The Government of Alberta is also concerned with the limitations placed on grain shipments eligible for the Crow Benefit. Farmers will have to bear all costs for grain shipments in excess of 31.1 million tonnes, a figure which will be exceeded in the 1982-83 crop year. Such a limitation would not help achieve the goal of increasing export sales.

Safety Net

The Federal proposal for a "safety net" provision have freight charges limited to 10 per cent of a weighted average price for a "basket" of western grains. This limit would represent the historical relationship that freight rates have had with grain prices. However, the Government of Alberta recommends an alternative "safety net" for consideration. It is based on railway's value-of-service pricing used for captive shippers. Under this alternative, a ceiling will be placed on the contribution grain shipments would make to the railway constant costs. In years where grain prices drop dramatically, the grain freight rates charged to the producer would decline, but not below railway variable costs. Conversely, in years when grain prices are high, the rates would reflect the full contribution to railway constant costs.

Rate Structure

The committee should examine the rate structure, particularly the rate "taper" which adversely affects the Peace River country because of the distance from market. Without a pay the producers approach to distributing the Crow Benefit, it seems much more difficult to offset that effect under Bill C-155.

Amendments to Bill C-155

The Government of Alberta suggests the following nine basic amendments to Bill C-155 which will encourage grain transportation efficiency and economic development in Western Canada:

1. Statement of Policy

Bill C-155 should be amended to include a statement of policy based upon the objectives put forth in the federal Western Transportation Initiative of February 1983.

2. Payment Mechanism

Producers should be allowed to decide the method by which they receive the Crow Benefit and the federal share of cost increases.

3. Grain System Performance

The Senior Grain Transportation Committee should be restructrued so that a majority of the members represent Western farmers and are free from vested interest in the grain handling/transportation system.

4. Grain System Efficiency

The Grain Transportation Administrator should act as a "shipper" with sufficient authority to act on behalf of farmers.

5. Grain System Investment

The railways should be required to publish annual detailed ststements of source and application of funds and investment intentions.

6. The Safety Net

A "safety net" based on value-of-service pricing should be instituted.

7. Future Cost-Sharing

Farmers' share of inflation should initially be limited to 4.5 per cent.

8. Limitations on Shipments

The federal government's Crow Benefit limit of 31.1 million tonnes should be removed.

9. Reviews

A review of all federal acts, institutions and regulations which govern the operation of the grain system should be undertaken every five years.

Alberta Agriculture, in co-ordination with Economic Development is monitoring the "Bill C-155: HOUSE OF COMMONS STANDING COMMITTEEE ON TRANSPORT" hearings. Following are the dates and locations for these hearings:

July 26-29	OTTAWA	Railway Committee Room Centre Block
August 2, 3	EDMONTON	Northwood Inn
August 4, 5	WINNIPEG	Fort Garry Hotel
August 8, 9, 10	REGINA	Regina Inn
August 12	VANCOUVER	Four Seasons
August 16, 17	QUEBEC CITY	Chateau Frontenac
August 22	OTTAWA	Railway Committee Room Centre Block

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